

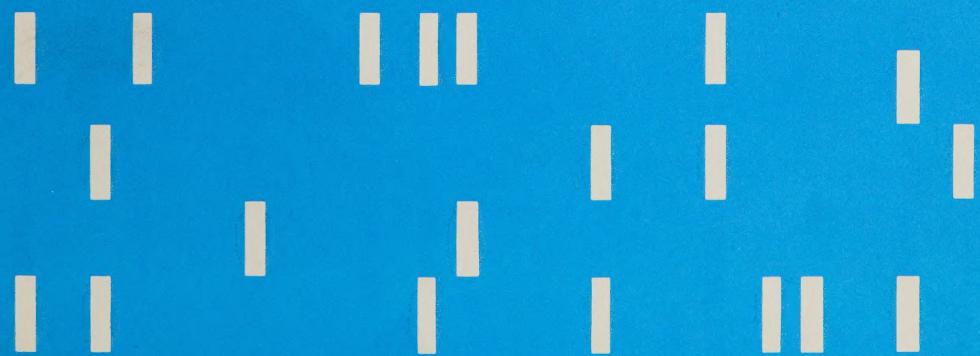
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DOING BUSINESS IN CANADA

FEDERAL INCENTIVES TO INDUSTRY



DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE
OTTAWA, CANADA



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DOING BUSINESS IN CANADA

**FEDERAL INCENTIVES
TO INDUSTRY**

Prepared by
Industrial and Trade Enquiries Division
Department of Industry, Trade and Commerce
Ottawa, Canada

FOREWORD

This booklet deals with major federal government incentives available to Canadian industrial organizations. It is intended as a guide in this field and, as such, refers only to the basic provisions involved. Accordingly, industrial organizations proposing to take advantage of any of these incentive measures are advised to contact the appropriate authorities referred to in the text.

Every effort has been made to accurately reflect the legislation in force at the time of preparing this material.

Other publications available from the "Doing Business in Canada" series are:

The Canadian Environment

Forms of Business Organization

Canadian Customs Duties

Taxation — Income, Business, Property

Taxation — Sales, Excise, Commodity

Labour Legislation

Construction and Equipment Standards

Patents, Copyrights and Trade Marks

Tariff Preferences for Canadian Goods Abroad

Also available:

Financing Canadian Industries

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INTRODUCTION

The Canadian economy is becoming increasingly characterized by a broad population base, expansion of the domestic market, urbanization and diversified production facilities. In effect, Canada has undergone a modern industrial revolution in which advanced technology, modern transportation facilities and a highly skilled and flexible labour force are combined in an expanding market with a factory-based system of specialized production to serve it. These basic structural changes have decisively committed the Canadian economy to an industrial future.

The encouragement of industrial expansion has always been of major concern to Canada. In its effort to ensure continued sound industrial growth, the Canadian govern-

ment is aware that an attractive investment climate must, on occasion, be complemented by positive incentive measures geared to the needs of industry and to the requirements for a maximum rate of growth on the basis of available resources.

This chapter of the *Doing Business in Canada* series is intended only to highlight the major industrial development incentives available at the federal level.

It is generally advisable to contact officials of the appropriate agency informally before preparing an application for assistance under any of the programs described in this booklet. In this way applicants are ensured of having the most recent information on the program and how to apply.

INCENTIVES FOR REGIONAL DEVELOPMENT

Although there is a continuing positive rate of national economic growth in Canada, the economy tends to operate with large regional variations. Some regions have lagged seriously behind the rest of the economy. The Department of Regional Economic Expansion was established to stimulate increased economic activity, industrial expansion and new employment opportunities in these areas. Incentive grants or loan guarantees are available to companies which establish new manufacturing or processing facilities or expand or modernize existing plants in designated regions and special areas. Loan guarantees are available also for certain types of facilities providing commercial services.

The designated regions and special areas include parts of all 10 provinces. The accompanying map (Appendix B) shows these regions.

REGION	EXPANSIONS/ MODERNIZATIONS	NEW PLANTS OR NEW PRODUCT EXPANSION
A (Atlantic)	up to 30 per cent of capital cost	up to 35 per cent of capital cost plus up to \$7,000 per job created
B (Standard)	up to 20 per cent of capital cost	up to 25 per cent of capital cost plus up to \$5,000 per job created
C (Special)	up to 10 per cent of capital cost	up to 10 per cent of capital cost plus up to \$2,000 per job created

The map at the back of this booklet shows the regions in which these different levels of incentives are applicable.

For a project to qualify as a new product expansion, the additional products must be ones that could not be manufactured or processed economically with the existing machinery and equipment of the plant.

An incentive grant cannot exceed:

- (a) \$30,000 for each job created directly in the operation;
- (b) one half of the capital to be employed in the operation.

Approved capital costs include the cost to the applicant of purchasing buildings, equipment and machinery plus the direct cost of designing, acquiring, constructing, transporting and installing the assets. Land is not an eligible asset nor is transportation equipment used off the premises. Capital payments made by the applicant to public authorities for utilities may be included, up to 20 per cent of the total approved capital costs.

Capital to be employed in the operation is the total of the approved capital costs plus the value of other fixed assets, such as land, together with an amount of working capital appropriate to the operation at intended capacity.

The number of jobs created directly in an operation is the average number of employees in or based upon the facility during the second and third years of commercial production.

In calculating the amount of any incentive to be offered, the minister of Regional Economic Expansion will take into consideration:

- (a) the extent of the contribution that the new, expanded or modernized facility would make to economic expansion and social adjustment in the designated region;
- (b) the need of the facility for incentives;
- (c) the amount of any other federal, provincial or municipal assistance being given to the project;
- (d) the cost to public authorities of providing services or utilities to the facility;
- (e) the cost of preventing or eliminating any air, water or other pollution;
- (f) whether the resources to be exploited by a processing operation would be adequate to support the facility together with existing facilities that utilize the same resources.

Minimum Investment

For an expansion or modernization, the approved capital costs must be at least \$30,000. For a new plant or new product expansion, the approved capital costs must be at least \$60,000.

Equity

For a new plant, the offer of an incentive is conditional on the applicant providing a specified amount of equity capital. This can never be less than 20 per cent of the approved capital costs as estimated at the time the incentive is offered. In the case of an expansion or modernization, the applicant must have an equity not less than 20 per cent of the total of the approved capital costs and the book value of the existing facility.

Other Conditions

- (1) An application must be made when the project is in the planning stage, before any commitments are undertaken.
- (2) The offer of an incentive by the minister of Regional Economic Expansion remains open for acceptance by the applicant for 90 days.
- (3) The offer will specify a date by which construction or installation of assets must begin.
- (4) Canadian manufacturers must be given reasonable opportunity to supply machinery and equipment.
- (5) The operation must employ residents of the designated region to the maximum extent practicable.
- (6) The legislation applies to operations coming into commercial production by December 31, 1976, subject to other provisions respecting the redesignation of areas prior to that date.

Payment of Incentives

Eighty per cent of the authorized incentive will be paid when commercial production begins, the remaining 20 per cent being paid within two and a half years for an ordinary expansion or modernization, or within three and a half years for a new plant or new product expansion.

Loan Guarantees

The department does not make loans. The applicant is responsible for finding sources of loan financing for his project. But

if he is unable to borrow as much as he needs, on reasonable terms, the department may improve the security available to the lender by guaranteeing part of the loan. The only purpose of a guarantee is to increase the amount of the loan.

The maximum loan in which the department can participate by guarantee is 80 per cent of the total capital cost of the project, less any incentive or other assistance from any level of government. Only part of such a loan may be guaranteed. In practice, guarantees in conjunction with incentive grants are most likely to be useful to newer and smaller companies, rather than the larger companies that have less difficulty in borrowing commercially all they need.

Loan guarantees, but not incentive grants, may be provided for one or more of the following commercial services; hotels, convention centres, recreational facilities, warehousing and freight handling facilities, shopping centres and business offices. To be considered for a loan guarantee, the commercial facility must involve total capital costs of at least \$2,500,000 in Metropolitan Montreal; \$500,000 in Winnipeg or Quebec City, or \$250,000 elsewhere in the designated re-

gions. Such projects must be new facilities. Expansions and modernizations are not eligible.

Other Services Available

In addition to these grant incentives, the Department of Regional Economic Expansion offers a number of services to firms interested in locating in designated regions. Departmental officers are in a position to assist industrialists with enquiries regarding provincial development programs, plant location, financing, taxation, marketing, transportation, manpower and manpower training and research and development assistance.

Firms wishing to take advantage of these incentives and other services are encouraged to contact the nearest local office of the Department of Regional Economic Expansion or write to:

Industrial Development Branch
Department of Regional
Economic Expansion
Ottawa, Ontario
K1A 0M4

Direct contact with the department is advisable to be sure of having the latest information.

RESEARCH AND DEVELOPMENT INCENTIVES

Introduction

Industrial research and development is encouraged generally with income tax allowances and by the Industrial Research and Development Incentives Act (IRDIA). Further assistance is offered by a variety of programs administered by the Department of Industry, Trade and Commerce and one program of the National Research Council. The intent is, to the extent that it is practicable, to extend financial support to all worthwhile research and development projects.

Income Tax Allowances

Under Section 72 of the federal Income Tax Act a corporation may deduct from its income all expenditures of a current nature made in Canada for scientific research and all expenditures of a capital nature made in

Canada (for the acquisition of property other than land) for scientific research in the year in which they were incurred.

For purposes of this measure, scientific research means a systematic investigation or search by means of experimentation or analysis in the field of science to acquire new knowledge; to devise and develop new products and processes; or to apply newly acquired knowledge in making improvements to existing products or processes. In some cases, expenditures to develop, test and evaluate a prototype are considered as scientific research expenditures. However, expenditures for purposes such as market research, sales promotion, quality control or preparation of specifications are not recognized as eligible expenditures.

INDUSTRIAL RESEARCH AND DEVELOPMENT INCENTIVES ACT (IRDIA)

The Industrial Research and Development Incentives Act provides general incentives to industry for the expansion of scientific research and development in Canada. The act is administered by the Department of Industry, Trade and Commerce.

The act provides that taxable Canadian corporations may make application for cash grants, or credits against federal income tax liabilities, equal to 25 per cent of:

- (a) all capital expenditures (other than for land) incurred in the past fiscal year on research and development carried out in Canada; and
- (b) the increase in current expenditures in Canada for scientific research and development over the average of such expenditures in the preceding five years.

For the purposes of the act, scientific research and development means systematic investigation or search carried out in a field of science or technology by means of experiment or analysis. It includes basic research, applied research and development which is defined as using the results of basic or applied research for the purpose of creating new or improving existing materials, devices, products or processes. Market research, sales

promotion, quality control, prospecting, exploring or drilling for or producing minerals, petroleum or natural gas, commercial production, style changes and routine data collection are excluded from the definition of scientific research and development.

To qualify for a grant, expenditures must be for scientific research and development likely to benefit Canada. To this end, corporations must undertake to exploit the results of their research and development work in Canada unless, according to sound business judgment, it would be uneconomical to do so. Furthermore, corporations must normally be free to exploit the results of their research and development in all export markets.

Grants made under the act are not subject to federal income tax and are in addition to the normal 100 per cent deduction of all expenditures for scientific research under the Income Tax Act.

Additional information may be obtained by writing to:

IRDIA Program Office
Department of Industry,
Trade and Commerce
Ottawa, Ontario
K1A 0H5

INDUSTRIAL RESEARCH ASSISTANCE PROGRAM (IRAP)

This program was established by the National Research Council in 1962 to encourage scientific research by Canadian industry. Assistance is in the form of grants and is intended primarily for applied research and development up to, but not including, pre-engineering preparation for production.

Financial assistance under this program is concentrated mainly on relatively long-term applied research through the establishment of new industrial research teams or the expansion of existing research groups. It excludes fields such as quality control, testing of products and production techniques, market research and sales operations. Minor improvement of existing machines and processes,

development of new applications of a product and other similar work do not receive prime consideration under the program.

The initiative in project selection rests entirely with the firm. The National Research Council Committee on Industrial Research Assistance assesses the program on its scientific merits and the capabilities of the company and its staff. The cost of an approved project is usually shared on the basis of approximately equal contributions by the National Research Council and industry. In practice, the division of costs generally provides for the payment of salaries and wages of scientific and technical staff by the government with payment for equipment and over-

head by industry. Commercial security of industrial projects is maintained and all titles and rights to research results are retained by industry.

For further information, interested firms should contact:

The Secretary
National Research Council
Committee on Industrial
Research Assistance
National Research Council
Ottawa, Ontario
K1A 0R6

PROGRAM FOR THE ADVANCEMENT OF INDUSTRIAL TECHNOLOGY (PAIT)

This is a program of direct financial assistance, administered by the Department of Industry, Trade and Commerce, to stimulate sound industrial growth through the application of science and technology. The basic aim of the program is to help industry upgrade its technology and its innovation activity by underwriting specific projects to develop new or improved products or processes. The projects must involve a significant advance in technology and offer good prospects for commercial exploitation.

Assistance under the program is available to individual Canadian companies for development projects to be carried out in Canada. Under the program, the Department of Industry, Trade and Commerce shares up to 50 per cent of the cost of a project including the cost of fabricating special test equipment and prototypes. However, it is not the purpose of the program to finance the establishment of a business or the acquisition of general purpose capital facilities or to cover the cost of setting up production.

The choice of development projects and responsibility for their direction and execu-

tion rest with industry. Applications will be assessed on the basis of the technical and commercial feasibility of the project. Companies will normally be expected to have the means to undertake the development work and also to provide for the manufacture and marketing of the end product or for the use for the resulting process. However, where necessary, companies may subcontract portions of the work to other companies, research institutes, universities or consultants within Canada.

Title to patents, designs, information and equipment resulting from the project will be held by the company. However, the company will be required to give an undertaking to exploit the successful results of a project in Canada within a reasonable period of time.

For further details on the Program for the Advancement of Industrial Technology, interested companies should write to:

PAIT Program Office
Department of Industry,
Trade and Commerce
Ottawa, Ontario
K1A 0H5

INDUSTRIAL DESIGN ASSISTANCE PROGRAM (IDAP)

The primary objective of the Industrial Design Assistance Program (IDAP) is to improve the competitive position of Canadian industry by achieving improvement in the quality of industrial design for its products. Specific projects requiring industrial design services for product development may be given financial assistance.

Assistance under this program is available to companies incorporated in Canada. These companies may apply on an individual basis, or as a group organized as a consortium, to the extent that they can satisfy the requirements of the program. Financial assistance under the program is limited to up to 50 per cent of the industrial design opera-

tional and administrative costs. Capital costs of any kind incurred by the applicant are excluded. Financial assistance is to be concentrated on relatively short-term projects of product or system innovation. The costs covered shall include the salaries, wages and fees for industrial design and associated technical services, on staff or on a consultant basis, directly related to the specific project to be undertaken. These services must be directed by a person or persons qualified in the field of industrial design.

The Department of Industry, Trade and Commerce will evaluate applications for IDAP support by both technical and commercial feasibility criteria. Some of these criteria con-

cern the quality of the project itself while others are intended to establish that the company or consortia have the requisite capabilities and resources to undertake the design and development work and its subsequent exploitation.

Title to designs, patents, registrations and information resulting from the project will be solely the property of the companies. However, the companies will be required to pro-

duce the products and systems in Canada and market the results within an agreed period of time.

For further details on IDAP, interested companies should contact:

IDAP Program Office
Department of Industry,
Trade and Commerce
Ottawa, Ontario
K1A 0H5

DEFENCE INDUSTRY PRODUCTIVITY PROGRAM (DIP)

The Defence Industry Productivity Program combines the former Industry Modernization for Defence Exports Program and the Defence Development Sharing Program.

The program is designed to enhance the technological competence of the Canadian defence industry in its export activities by providing financial assistance to industrial firms for selected projects. Emphasis is placed on those areas of defence technology having civil export sales potential. Assistance may cover the development of products for export purposes; the acquisition of modern machine tools and other advanced manufacturing equipment to meet exacting military standards; and assistance with pre-production expenses to establish manufacturing sources in Canada for export markets.

Projects initiated under this program have played a major role in helping industry to develop its skills on a specialized basis in fields of technology which have defence and

civil applications and which Canada is favourably situated to exploit. Costs of these projects are shared by the Department of Industry, Trade and Commerce and the Canadian firm concerned and, in some instances, by the governments of other NATO countries. Manufacturing equipment projects are selected for assistance on the basis that the machinery acquired will make a significant contribution to increased productivity. Generally this means that the machinery is the most advanced of its type, such as numerically controlled metal working equipment.

For further details on the Defence Industry Productivity Program, interested companies should write to:

Defence Industry
Productivity Program
Department of Industry,
Trade and Commerce
Ottawa, Ontario
K1A 0H5

PROGRAM TO ENHANCE PRODUCTIVITY (PEP)

This program is intended to improve the productivity of manufacturing and processing industries in Canada by underwriting part of the costs of feasibility studies of projects which have the potential to lead to productivity gains. These projects must be a significant departure from the companies' normal productivity improvement practices and should involve only existing available technology.

The department's contribution is normally 50 per cent of the approved cost of a study. Allowable costs include salaries and wages for direct labour and an equal allowance for administrative and operational expenses. Fees incurred through contract for consultants are also included. Capital costs

of any kind are excluded. Repayment is not required.

Title to results is vested in the company but it must submit to the department the findings and recommendations of the study. Twelve months after completion of the study, information must be submitted sufficient to assess the savings that will be realized by the company as a result of the study.

Mailing address for further information:

PEP Program Office
Department of Industry,
Trade and Commerce
Ottawa, Ontario
K1A 0H5

PROGRAM FOR EXPORT MARKET DEVELOPMENT

The objective of this program of the Department of Industry, Trade and Commerce is to achieve a sustained increment in the export of Canadian products and services. This is done by providing incentives in the form of repayable contributions to approved expenses which would otherwise inhibit marketing endeavours by Canadian companies.

The program consists of a number of sections delineated in terms of the regions, the products and the marketing techniques concerned.

Section A — Incentive for Participation in Capital Projects Abroad

The department will normally contribute 50 per cent of the costs of approved pre-contractual expenses incurred when competing for capital projects in any country outside Canada. Expenses would include costs of studies and bid preparation. Repayment is required if the company is successful in obtaining the business sought.

Section B — Part I Market Identification Part II Marketing Adjustment

The department's contribution will normally be 50 per cent of eligible costs incurred on previously approved projects. Part I is intended to cover those situations where a company is generally aware of an opportunity in a foreign market but is unable to make more definite plans without a special study, the cost of which represents a barrier. Part II is intended to cover the costs of initial adaptation to unfamiliar marketing practices. Examples are translation of sales literature, provision of specialist technical advice, establishment of after-sales service and unusual product demonstration requirements. It is not intended in either part to share recurring or routine sales expenses or product redesign.

Repayment is required if the efforts are successful. The program applies to markets

outside Canada and the United States of America. The emphasis is on manufactured goods but can be more widely applied.

Section C — Incentive for Participation in Trade Fairs Abroad

In order to increase the export of Canadian goods and services, the department will normally contribute 50 per cent of eligible expenses incurred on previously approved exhibitions at trade fairs outside Canada. This program complements the established government sponsored national exhibits. A company is not eligible for support under both programs for the same trade fair.

Repayment on the basis of resultant business is required.

Section D — Incoming Buyers

The department will share with Canadian companies eligible expenses incurred in previously approved projects which bring potential foreign buyers to the plant of the Canadian firm involved. The foreign buyers must have a major responsibility in terms of purchases of the products or services concerned. The program is applicable to buyers located outside Canada and the United States of America.

Repayment is required on the basis of resultant sales from successful projects.

Additional information on Sections A and B is available from:

Program Office
(Market Activity)
Department of Industry,
Trade and Commerce
Ottawa, Ontario
K1A 0H5

For Sections C and D contact
Fairs and Missions Branch
Department of Industry,
Trade and Commerce
Ottawa, Ontario
K1A 0H5

Office but, briefly, the following materials are exempt:

(a) partly manufactured goods changing hands for further processing;

FEDERAL SALES TAX EXEMPTIONS

The Excise Tax Act contains a number of provisions for tax relief to Canadian manufacturers and producers. Full details may be obtained from a local District Excise Tax

- (b) production equipment;
- (c) pollution control equipment;
- (d) processing materials, excluding grease, lubricating oils, and fuel for use in internal combustion engines;

- (e) plans, drawings, and related specifications for use in the manufacture or production of goods or in the control of pollutants.

CUSTOMS INCENTIVES

Canadian customs legislation contains a number of concessions favourable to domestic manufacturing activity. It should be noted, however, that duty concessions are not granted strictly on the basis that a firm is becoming established in Canada or is undertaking new manufacturing activity.

Outlined below are some of the major customs incentives of interest to manufacturers. For details on any of these measures, interested firms should get in touch with the appropriate Regional Office, Department of National Revenue, as indicated in the Canadian Customs Duties chapter of this series.

Tariff Relief — Manufacturers

The Customs Tariff contains a number of items providing for the duty-free entry of articles and materials to be used exclusively in the manufacture of certain merchandise in Canada. These items are intended to encourage processing operations in Canada. Also, the minister of finance may authorize certain reductions in duty by establishment of temporary tariff items. They remain temporary for varying periods of time and, if warranted, can become statutory. It should be stressed that materials imported under such duty-free conditions, or at reduced rates of duty, are to be used exclusively in the manufacture of specified products.

Dies, Moulds

Authority may be obtained to import into Canada, on a temporary basis for a maximum period of 12 months, plant equipment such as dies, moulds, patterns and related jigs and fixtures, paying duty on the basis of one-sixtieth of the value of the goods for each month or part of a month they remain in Canada subject to a minimum payment of \$25 per entry. This measure is intended to alleviate the high cost of duplicating such equipment for limited production runs and encourages higher Canadian content in the finished product. The regulations governing such tem-

porary entry allow collectors of customs at ports of entry to authorize the temporary importation of such plant equipment rather than having to refer each case to Ottawa for approval.

Duty Drawbacks

Schedule B of the Custom Tariff contains a number of drawback items that permit the return of duty when certain imported parts, materials, machinery or equipment are used in Canada for specified purposes.

In addition, the export drawback regulations provide the opportunity for Canadian manufacturers to recover 99 per cent of the customs duties paid on imported parts and materials used or consumed in the manufacture of Canadian goods exported. There are also provisions for drawback when imported goods are exported from Canada either to the country from which the goods were imported or to a third country.

One part of the export drawback regulations may be of particular interest to Canadian manufacturers using both imported and domestic materials of the same class in the production of goods for both the domestic and export markets. In order to avoid maintaining segregated stocks of imported and domestic materials for duty drawback purposes, the manufacturer may recover duty paid on the imported material in quantity sufficient to produce the exported goods provided such imported material was used in the plant within the 12-month period immediately preceding the manufacture of the exported goods.

The services of drawback officers is available, upon request, from District Drawback Offices located across Canada.

Semi-manufactured Goods

Generally, a manufacturer who uses imported semi-manufactured goods or production components in his operation can receive the benefit of a lower value for duty based on

the extent of work done in Canada.

Finished goods exported to Canada in a knocked-down condition requiring minor assembling or outer or minor packaging, and possibly labelling, receive only partial benefit. However, in the case of semi-manufactured goods or production components, the value for duty is based on the factory cost (i.e. material, direct labour and factory overhead only) in the country of export plus a percentage advance. The advance is calcu-

lated by means of a formula that lowers the percentage in proportion to the amount of work to be performed in Canada. A significant saving can be realized if the Canadian content is high.

Further information and rulings concerning the value for duty of semi-manufactured material or any other imported goods can be obtained from the Department of National Revenue, Ottawa. Valuation rulings are not available from the regional offices.

INCENTIVE FOR CANADIAN OWNERSHIP

Dividend Payments

Dividends paid or credited to a non-resident shareholder are subject to a 15 per cent tax. The statutory rate of tax is scheduled to increase to 25 per cent in 1976 except for shareholders resident in those countries with which Canada has concluded a tax treaty. Most of Canada's existing tax treaties

provide a 15 per cent maximum rate of withholding tax on dividends, interest and royalties. However, the tax on dividends is reduced to 10 per cent (20 per cent after 1975 in non-treaty circumstances) if the corporation declaring the dividend has a "degree of Canadian ownership" as that expression is defined in Appendix A.

OTHER PROGRAMS

General Adjustment Assistance Program (GAAP)

The General Adjustment Assistance Program is designed to provide a practical and flexible means of assisting manufacturers in Canada to adapt profitably to changes in the world trading environment brought about by the Kennedy Round. The main aim of the program is to help manufacturers to take advantage of export opportunities arising from the Kennedy Round. It is also designed to help manufacturers to improve their competitive position where they have been injured or are threatened with injury as a result of an increase in imports attributable to Kennedy Round reductions in the Canadian tariff.

Under this program, three forms of assistance are available to eligible manufacturers who are unable to obtain the necessary financing from conventional sources on reasonable terms and conditions to adapt their operations. The principal form is government insurance against risk of loss on adjustment loans made by private lenders for the purpose of financing viable adjustment programs. The amount of insurance that may be authorized is up to 90 per cent of a loan and a fee of 1 per cent per annum is payable on the

amount of insurance in force. Secondly, direct government loans may be made in special circumstances to firms that have been seriously injured, or are threatened with serious injury, as a result of an increase in imports attributable to Kennedy Round tariff cuts made by Canada and are unable to obtain an insured loan. Thirdly, financial grants may be made to eligible manufacturers who have applied for assistance and who need the services of qualified consultants to develop effective adjustment proposals and where the cost of the consulting assistance would be a significant burden on the resources of the applicant. The program is administered by a General Adjustment Assistance Board on which private industry and government are represented.

Further information on the General Adjustment Assistance Program may be obtained by writing to:

The Program Office
General Adjustment Assistance Board
Department of Industry, Trade and
Commerce
Ottawa, Ontario
K1A 0H5

Machinery Program

Effective January 1, 1968, Tariff Item 42700-1, which covers the majority of machinery and equipment used by secondary industry, provides for the remission of duty on machinery classifiable under that tariff item when the machinery being imported is not available from production in Canada if it is in the public interest to do so. The primary objective of providing for remission of duty in this way is to encourage the development of efficient industry by allowing users of machinery to acquire capital equipment at lowest possible cost and, at the same time, enable machinery producers to obtain the maximum protection from the tariff that will apply to the products they manufacture.

Importers of machinery who wish to determine their eligibility for remission of duty should make a formal application to the Machinery and Equipment Advisory Board. Similarly, manufacturers whose machinery would be classified under this tariff item if it were imported into Canada should so advise the board that they are manufacturing or are in a position to do so, to ensure that they receive the protection provided for by the duty imposed under Tariff Item 42700-1. Application forms and pamphlets, outlining the conditions under which applications will be considered, are available from collectors of customs and excise or from:

The Secretary
Machinery and Equipment Advisory
Board
Department of Industry, Trade and
Commerce
Ottawa, Ontario
K1A 0H5

Fashion Design Assistance Program

The primary objective of the Fashion Design Assistance Program is to increase the international competitiveness of the Canadian apparel, textile, leather and footwear industries by:

- (1) encouraging greater Canadian design creativity and upgrading quality in their products;
- (2) building a prestige image of creative fashion design in Canada to attract Canadian and foreign buyers;
- (3) providing an environment to encourage and retain Canadian fashion design talent.

There are two main aspects of the

program: DESIGNER DEVELOPMENT and FASHION/CANADA.

1. The DESIGNER DEVELOPMENT component has as its aim the encouragement of greater opportunities for the development and appreciation of trained Canadian fashion designers to work in a climate that will foster creative design in Canada.

An extensive study of the supply and demand for fashion designers in the industry will identify measures needed to improve training facilities and job opportunities.

Bursaries for advanced studies are available to those individuals showing evidence of the necessary creative talent, motivation and self-discipline to meet competition in the market. Applications for bursaries must be submitted for screening by the Committee for Designer Development.

2. The FASHION/CANADA component objective is to contribute to a national climate of fashion awareness through the continuing promotion of good design and workmanship by Canadian designers.

All designs accepted by knowledgeable evaluation committees as examples of good Canadian fashion are identified to the consumer by a logo tag. Consumer oriented programs, through all available channels, are produced to encourage a national pride in the quality of our industry's design and workmanship standards and international recognition of Canada as a source of good fashion.

Mailing Address:
Fashion Design Assistance Program
Department of Industry, Trade and
Commerce
Ottawa, Ontario
K1A 0H5

Development of Management Courses

This program is designed to help non-profit professional industry, business or management associations develop managerial retraining and upgrading courses of high quality. Assistance is in the form of government grants to a maximum of \$50,000. These grants may cover up to 100 per cent of the costs of developing new courses or revising

existing ones. Eligible costs include professional fees and the costs of visual and audio aids but not the costs of printing textbooks and notebooks. The course must promise a significant improvement in quality over similar existing courses or must deal with subjects not covered in existing courses offered in the vicinity.

Mailing address for further information:
Development of Management Courses
Office of the Industrial Policy Adviser
Department of Industry, Trade and
Commerce
Ottawa, Ontario
K1A 0H5

COUNSELLING ASSISTANCE TO SMALL ENTERPRISES (CASE)

CASE provides an opportunity for small businesses engaged in manufacturing or tourism to benefit, at nominal cost, from a service provided by retired business executives. Under special circumstances, government contributions can also be made towards the cost of engaging consulting firms.

Through this program, managers of small companies can discuss their particular problems with experienced businessmen, explore new ideas to help their businesses grow and examine new methods of improving productivity. A CASE counsellor will visit the applicant's place of business, make a detailed analysis of the company's problems and opportunities and recommend action to be taken. He may also help to implement these recommendations. The costs of the counselling services are borne in part by the Department of Industry, Trade and Commerce and by the company.

When the roster of CASE counsellors does not have the particular skills required by a company, consulting firms may be hired, and government assistance could be up to 50 per cent of the cost.

To be eligible, companies must:

- (a) be a manufacturer or be in the tourist industry;

- (b) have fewer than 50 employees and no more than \$5 million sales in its most recent complete fiscal year; and
- (c) for the Montreal project, be located within a 70-mile radius of downtown Montreal.

The initial stage of this program is to include Montreal and another centre to be announced.

Mailing address for further information:
CASE
Suite 323
1010 St. Catherine Street West
Montreal 110, Quebec
Telephone: 283-5056

Miscellaneous

There are a number of other programs of limited application which may be of interest to specialized industries. These include Ship Construction Subsidy Regulations, the Building Equipment, Accessories and Materials Program, Automotive Adjustment Assistance Program and the Pharmaceutical Industry Development Assistance Program. Details are available from the Department of Industry, Trade and Commerce, Ottawa, Ontario, K1A 0H5, or from any of its regional offices in Canada.

APPENDIX A

The following is an abridged version of the actual requirements:

Canadian Ownership

The requirements which a company must meet to qualify for the reduction in the rate of withholding tax on dividends from 15 per cent to 10 per cent are as follows:

1. The company must be a resident of Canada.
2. (A) No less than 25 per cent of the company's issued and outstanding voting shares and no less than 25 per cent of the equity share capital of the company must be owned in Canada (by individuals and/or by Canadian controlled companies).

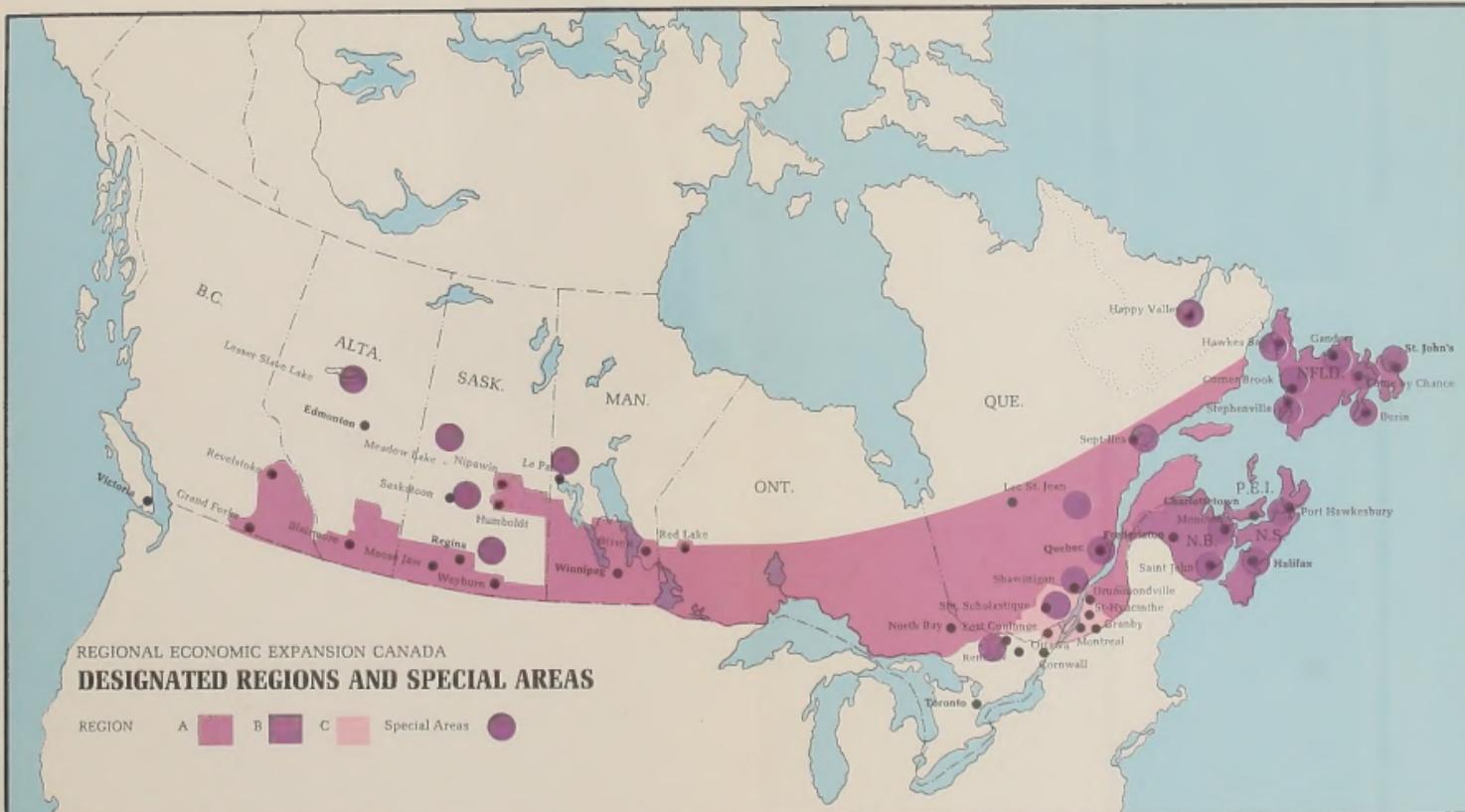
OR

- (B) A class or classes of voting shares and a class or classes of equity shares representing not less than 50 per cent of the equity share capital of the company must be listed on a Canadian stock exchange and no more than 75 per cent of the voting shares must be owned by one non-resident person or related persons.
3. At least 25 per cent of the directors of the company must be resident in Canada.

To qualify as having a degree of Canadian ownership in a particular taxation year, a company other than a new corporation must have met each of the three requirements described above throughout any 60-day period in the 120-day period commencing 60 days before the first day of the year.

REGIONAL ECONOMIC EXPANSION CANADA **DESIGNATED REGIONS AND SPECIAL AREAS**

REGION A B C Special Areas





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